

Message Text

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ACTION OPIC-06

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1703

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E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: OPIC INSURANCE FOR LAND ACQUISITION INVEST-
MENTS IN COSTA RICA

1. IN DISCUSSIONS WITH EMBASSY OFFICERS JULY 9, THOMAS MANSBACH OF OPIC REFERRED TO THE HEAVY REPRESENTATION OF POTENTIAL AGRO-INDUSTRIAL INVESTORS IN THE FORTHCOMING OPIC-SPONSORED INVESTMENT MISSION TO COSTA RICA, AND EXPRESSED THE HOPE THAT THE EMBASSY'S POSITION ON INVESTMENT INVOLVING LAND ACQUISITION IN COSTA RICA WOULD NOT BE A BARRIER TO OPIC OFFERING POLITICAL RISK INSURANCE TO SUCH INVESTORS. HE ASKED FOR A CLARIFICATION OF THE EMBASSY'S POLICY.

2. THE EMBASSY'S POLICY CONTINUES TO BE THE ONE AGREED TO BY THE EMBASSY AND OPIC LAST YEAR (SAN JOSE 2791) THAT "OPIC INSURANCE AND FINANCING PROGRAMS ARE NOT GENERALLY AVAILABLE TO SUPPORT PROJECTS INVOLVING THE ACQUISITION OF SUBSTANTIAL LAND HOLDINGS IN COSTA RICA." SENIOR EMBASSY OFFICERS HAVE CONSIDERED THE QUESTION OF OPIC INSURANCE FOR LAND HOLDINGS ON A NUMBER OF OCCASIONS OVER THE PAST SEVERAL YEARS AND HAVE UNANIMOUSLY CONCLUDED ON EACH OCCASION THAT IT WOULD BE HIGHLY UNDESIRABLE FOR THE U.S. TO OFFER ANY INCENTIVES

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(INCLUDING OPIC INSURANCE) TO ENCOURAGE ADDITIONAL

AMERICANS TO ACQUIRE SUBSTANTIAL LAND HOLDINGS IN COSTA RICA.

3. THE EMBASSY HAS INDICATED A WILLINGNESS TO CONSIDER EXCEPTIONS TO THE GENERAL POLICY IN PARTICULAR CASES WHERE THERE SEEM TO BE STRONG REASONS FOR DOING SO SUCH AS SOME FACTOR OF OVER-RIDING DEVELOPMENTAL VALUE. THIS IS WHAT THE EMBASSY HAD IN MIND WHEN IT AGREED (SAN JOSE 2791) THAT "AGRICULTURAL PROCESSING PROJECTS ARE VIEWED MORE FAVORABLY AND MAY BE APPROVED ON A CASE BY CASE BASIS." EXAMPLES WOULD BE A FROZEN FOOD PLANT OR CANNERY THAT, FOR TECHNOLOGY TRANSFER OR MANAGEMENT OR OTHER REASONS MIGHT REQUIRE SOME AMERICAN PARTICIPATION IN OWNERSHIP OF THE ASSOCIATED LAND TO PRODUCE THE PRODUCTS THAT WOULD BE CANNED OR FROZEN. INTEGRATED PROJECTS OF THAT KIND WOULD HAVE A POTENTIAL FOR INCREASING EXPORTS AND CONTRIBUTING TO COSTA RICA'S OVERALL ECONOMIC DEVELOPMENT THAT MIGHT WARRANT AN EXCEPTION TO THE GENERAL RULE AGAINST ENCOURAGING FURTHER AMERICAN ACQUISITION OF COSTA RICAN FARMLAND.

4. THE EMBASSY IS TOTALLY AND UNEQUIVOCALLY OPPOSED TO OPIC INSURANCE FOR PROJECTS THAT MERELY REPLACE COSTA RICAN FARMERS WITH AMERICAN FARMERS ON COSTA RICAN LAND. ANY GAINS IN EFFICIENCY FROM AMERICAN TAKEOVERS OF COSTA RICAN FARMS ARE MUCH MORE THAN OFFSET BY THE PERCEIVED SOCIAL AND ECONOMIC DAMAGE TO AN ECONOMY WHICH HAS A NUMBER OF LANDLESS FARMERS. MOREOVER, FEEDING THE FLAMES OF RESENTMENT AGAINST GROWING FOREIGN OWNERSHIP OF LAND IN COSTA RICA IS LIKELY TO CREATE A STRONG BACKLASH EFFECT AGAINST MORE DESIRABLE FORMS OF U.S.

INVESTMENT, EXISTING AND POTENTIAL. THIS SENSITIVE ISSUE IS FREQUENTLY DEBATED IN COSTA RICAN PRESS AND ASSEMBLY (ONE WAS DEBATED LAST WEEK).

5. THE EMBASSY HOPES THAT THE ABOVE EXPLANATION OF ITS POLICY WITH RESPECT TO THE USG OFFERING INSURANCE FOR AGRO-INDUSTRIAL PROJECTS WILL ENABLE OPIC TO GIVE CLEAR GUIDELINES TO MEMBERS OF THE FORTHCOMING LIMITED OFFICIAL USE

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INVESTMENT MISSION AS TO THE KINDS OF INVESTMENT FOR WHICH OPIC INSURANCE IS LIKELY TO BE AVAILABLE. THE POLICY DESCRIBED IN THIS MESSAGE WILL BE APPLIED EVEN IN CASES WHERE A POTENTIAL PROJECT, NOT ELIGIBLE FOR INSURANCE UNDER THESE GUIDELINES, MIGHT GAIN THE APPROVAL OF THE COSTA RICAN GOVERNMENT.
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